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NEWS LETTER

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WAR, DEBT, AND TAXATION

SERPENT WHISPERS

During our recent war stamp drive in the country regions of Chapel Hill township we ran across the usual pro-German lie.

"You are throwing your money dead away. The government will never be able to redeem your stamps. This country is headed straight into bankruptcy." So runs the lie put into circulation among our farmers. It was a mischievous lie meant to scotch the war stamp campaign in our countryside. The ready answer of the farmers in our township was the purchase of \$40,000 worth of war stamps.

And by the way, this is a fair sample of the serpent whispering that landed a Russellite leader and a half dozen of his followers into a federal prison under a twenty year sentence in Brooklyn the other day. The religious propaganda of the Russellites, said the judge in the case, is more dangerous to the nation than a division of the German army.

Our new law covers unpatriotic talk of this kind. There is work for a secret agent to do in this county and in most other counties of this and every other state.

It is nerveless citizenship that will allow treason to run riot in a community. We need courageous private citizens as badly as we need secret service agents.

OUR MONEY IS SAFE

Nobody knows how many millions of lives and billions of treasure it will cost us to make this old world a safe and decent place to live in; but it is pitiful ignorance or craven cowardice to think of our job in terms of bankruptcy.

The wealth of the United States is now 300 billion dollars. It is more than that of Great Britain, France, Russia, and Italy combined. It is three times that of Germany before the war began and six times that of Germany today.

The vaults of the federal treasury now hold a full third of all the gold coin and bullion of the entire world.

The resources, the good faith, and the taxing power of the United States are behind every dollar of our currency, our liberty bonds, and our war stamps.

Banks sometimes fail, but never the United States. Its resources are great enough to pay the interest on our war bonds and stamps, and to redeem our loans at maturity, no matter what the war costs. There can be no doubt about that.

THE PEOPLE ARE PARTNERS

Our national expense bill during the first year of the world war was 8 billion dollars. Almost exactly half of it was raised by war taxes and the rest by government loans in the form of war stamps and liberty bonds; which means that half of the burden falls on this generation and half of it on future generations that will reap the benefits of this struggle for liberty and humanity.

The owners of war bonds, mainly in fifty and hundred dollar amounts, have now come to number 20 million people, and the purchasers of war stamps will be around 35 million people. Here are 55 million owners of federal securities.

Our government bond owners are no longer the rich alone; they are the masses; they are every other person you meet, counting both sexes and all ages. Most of these people never owned a government bond or any other interest bearing security before in all their lives.

A full half of all our people are now partners of the United States in federal finance, with an ownership concern in our government; and the interest they are drawing is already some \$110,000,000 a year.

It is the most significant single fact in the history of the United States during the last hundred years. It means unity, stability, and safety for the nation during all the years to come. This is what the well nigh universal ownership of state securities by the French people has meant for France, and this is what it means for the United States of America.

FARM AND FACTORY PROFITS

During our first year of war around 4 billions were spent on our own expense account, and the other 4 billions were loaned to our allies. Almost every dollar of this huge sum has been spent in this country. This fact ap-

pears in the international balance of trade, which was around 4 billion dollars in our favor during the year just closed.

We shipped abroad one and a half billion dollars worth of foodstuffs, food animals, work stock, and seeds during the last 12 months; and four and a half billion dollars worth of partly or wholly manufactured articles and crude materials for manufacture, including nearly a billion dollars worth of cotton and tobacco. Our export trade has more than trebled since this war began.

This sudden increase of four billion dollars in foreign exports means a relative scarcity at home and naturally a rise in the price of everything the domestic consumer buys. Thus the farm value of our crops and animal products has increased from ten to twenty billion dollars since 1914. The volume and the value of our manufactured products have increased in the same remarkable way. Farms and factories are getting more money for their products than ever before in the history of this country.

The war is so far giving our farm and factory owners a chance at greater wealth than they ever saw before, while increased wages and the higher prices of food and feed, cotton, wool and tobacco are giving wage-earners and farm-workers of every sort a share of this abounding wealth.

OUR BACKS AND BURDENS

Next year our government must have 20 billion dollars for war purposes. This sum includes 6 billions of loans to our allies. Are we able to bear this burden?

In answer we may say that our farms alone will produce 22 billion dollars worth of wealth this year, while the total of new wealth produced by our mines and quarries, farms and factories has now reached the stupendous total of 75 billion dollars a year. The net profits available for war purposes are 25 billions or more.

How can a people with wealth producing powers of this sort be bankrupted? Such a thing does not seem humanly possible.

It is never likely to be done, and nobody knows it better than the ten million people of German stock in America.

For instance, the first state to go over the top in war stamp purchases was Nebraska, and nearly exactly half of her population is foreign in birth or immediate parentage. In some counties of that state nothing but the German language is ever heard. The fact that Nebraska took 20 million dollars worth of war stamps in five months and 5 million to boot is pretty good proof that deep down in their souls the German-Americans do not expect Germany to win, now that America is getting into the fight with all her might and main.

Another good proof that our money is safe lies in the fact that the most liberal buyers of liberty bonds and war stamps are everywhere the Jews, and no people on earth have ever had any keener money-sense than the Jews.

OUR NATIONAL DEBT

Twenty-two billions of war bonds have been authorized by Congress to date. So far the bonds actually issued represent a national debt of 12 billion dollars; which is only four per cent of the wealth of the United States, as against 38 per cent in Germany and 76 per cent in Austria.

Of course these bonds must be redeemed some time or other, and the interest on them must be paid year by year. It must be done by federal taxation, direct and indirect. If we can finance this war to the end on the half-and-half plan of the first year—half in popular loans to the government and half in federal war taxes—we are likely to escape an era of inflation and cheap money with all their multiform disasters.

The most significant thing in the war situation today is the fact that Germany and Austria have already run into this whirlwind of financial disaster, and they cannot escape the full penalties of it when this war is over. The National net income of Germany in her most prosperous pre-war year would not begin to pay the interest on her present war debt alone; which means inescapable national bankruptcy.

During our first two years of war the loans to our allies will reach the huge total of 10 billion dollars. Of

course, these loans must be repaid to America and the interest kept up year by year; which lessens our yearly burden of federal taxation—cuts it almost exactly half in two in fact.

Our problem of national finance is at last reducible to terms of federal taxation. Somebody must pay these taxes. Who pays the piper? is an immensely important question.

WHO PAYS THE PIPER?

So far, the burden of direct federal taxation is falling mainly on the rich.

Fewer than a half million of our 100 million people in the United States paid federal income taxes in 1917, because fewer than a half million people had net taxable incomes of more than \$3,000. Even when the exemption was lowered to \$1,000 for single persons and \$2,000 for married couples, more than 95 million people in this country paid no direct war taxes in 1918 on individual incomes.

In our own county here, only nine of our sixteen thousand people have paid any direct war taxes, and one among this number paid more than the other eight combined. He is a manufacturer, mind you, not a farmer. Indeed, only three of them were farmers, and none of them were wage or salary earners.

Only one American farmer in every 400 paid any federal income taxes in 1917, but federal war taxes caught one out of every five brokers, one out of every four insurance agents, and nearly two out of every three technical engineers.

The Rich Man's Burden

The rich are paying war taxes; no doubt about that! And it is greatly to their honor that they are not whining about it.

The only people we've heard growling about being taxed to death by the government are people who are not paying any federal taxes on incomes or excess profits. And mind you, the people who have so far escaped such taxes are 95 in every 100 people you meet in the run of the day.

According to the old saying, it's the hit dog that yelps, but when it comes to taxes it is the dog that isn't hit that does the most yelping. It is the wicked that flee when no man pursueth, is the way the Book has it.

On the other hand, the war taxes of thirty of our richest men in America ranged from \$4,500 to \$105,000 a day, according to the Financial World. Two-thirds of the net taxable incomes of these 30 rich people goes to the government for war purposes. James B. Duke's war taxes, for instance, were nearly 5 million dollars and John D. Rockefeller's nearly 40 millions.

There are six men in North Carolina whose war taxes will be more than \$1,000 a day. The stamp taxes of one tobacco concern in North Carolina are now more than \$100,000 a day on just one of its products. The American Steel Corporation is paying \$700,000 a day.

Almost exactly a fourth of the war taxes in 1918 were paid by the Wall Street and Pittsburg revenue districts.

Almost exactly half of the 3 billion 672 million dollars of war taxes in 1918, arose from taxes on excess profits alone. A full half of our war taxes in 1918 were paid by the owners of big business.

The government is now taking over for war purposes from one to three-fifths of all business profits over and above a moderate rate of interest on the capital invested; which accounts for the flurry in business circles produced by the recent report of the Federal Trade Commission on the profits of big business in this country last year.

The Poor Man's Burden

Aside from increased postage rates, and freight, express, telegraph, and telephone taxes which amounted to less than \$215,000,000 all told in 1918, almost every dollar of our direct taxes was levied on wealth and luxury.

The fact is, the average man is paying no direct war taxes these days except for stamps on his mail and express matter, on telegraph and telephone bills, on notes, mortgages and similar other business papers, on railroad tickets, and freight bills. And even then he is paying very little of our federal war tax—only six out of every hundred dollars of the total paid this year.

He pays a larger share, of course, if he willfully indulges in luxuries like intoxicating liquors, tobacco, soft drinks, Pullman cars, automobiles, picture shows, theatres and other commercial amusements, jewelry, sporting goods, patent medicines, perfumery, cosmetics, chewing gum and the like.

If he will indulge in these luxuries, he must now pay war taxes for the privilege. For indulgences of this sort, our luxury lovers paid into the

federal treasury in 1918 around a third of a billion dollars.

They can pay less than that or nothing at all by sensible self-denial.

THE WAR TAXES EVERYBODY

So far, we have spoken of war taxes directly paid, and these taxes for the most part are paid by relatively a very few people—mainly on incomes and excess profits. The people who pay such profits are only 5 in every 100 inhabitants, and direct taxes of this sort amount to \$86 of every \$100 of the total paid last year. In other words, while the average man has a chance to pay \$14 of direct war taxes, the rich are paying \$86—willy nilly, as Bill Arp used to say.

But indirectly everybody of course pays war taxes, because everybody is a consumer and pays war taxes in the greatly increased price of almost everything he buys. Thus, the increase in the cost of living is around 100 per cent during the last four years, which means that the cost of living has just about doubled during this period—in many details of living it is trebled or more. The result is to reduce the purchasing value of the consumer's dollar a full half—in many instances, two-thirds or more.

But on the other hand, twenty million people or a fifth of our total population produce commodities for sale at these high prices. They are the farmers, manufacturers, miners, and foresters—the producers of crude wealth and wealth finished for final consumption. The owners among this number are reaping the largest profits in these days of sky-high prices, but tenants and wage earners are also handling more money than they ever saw before in all their lives, and it gives them a capital chance to save and lay up something against a rainy day.

It is the man who produces no commodities for sale and has everything to buy who is most heavily burdened these days by the high cost of wartime living. Indirectly, a full half of his daily expenditures goes to pay our war bill, or to line the pockets of profiteers big and little. The administration, by the way, is now going after these profiteers, hammer and tongs.

The point we are making is, that the farmers who have a maximum of things to sell and a minimum of things to buy when compared with people in other businesses have the poorest possible chance to join in the financing of this war unless they take liberty bonds and war stamps largely and contribute to the Red Cross and the army Y. M. C. A. generously.

Both directly and indirectly the money expense of war rests lightly on the farmer's shoulders. And he is a wise farmer if he gets ready to draw federal interest while other people pay most of our war taxes.

And it's wise for the rest of us to save down to the last penny and invest in liberty bonds and war stamps. It's good exercise to take in federal interest with our left hands while we pay out war taxes, direct and indirect, with our right hands.

The federal interest money coming back into North Carolina, on account of liberty bonds and savings stamps will soon amount to 5 million dollars a year; which is nearly as much as our state government costs from year to year. The federal interest money coming back into Orange county alone will soon be around \$15,000 a year; which is nearly half the annual total of our county taxes.

WAR TAXES IN CAROLINA

The war taxes we pay on mail are collected and turned into the federal treasury by the postoffice authorities. But 97 out of every hundred dollars of direct war taxes paid in North Carolina during the year that ended June 30, were collected by the Internal Revenue authorities.

The total so collected was nearly 70 million dollars, which is nearly three and a half times all the state, county, and municipal taxes we pay in this state.

It is a huge sum. Who paid it? Twenty millions of it was paid on individual and corporation incomes, and on excess profits in business enterprises. Mainly it was paid by the rich people of the state, and they are very few in number. The taxes they paid on excess profits will be added, of course, to the market price of the goods they sell to the public. The users of tobacco the world over will at last pay most of this war tax on excess profits.

Very little of the income tax total was paid by our wage earners, because very few of them, if single, earn \$3.50 a day and are busy every work day of the year; and just as few of them, if married, earn \$7.00 a day and lose no time in the run of the year.

And as for our salaried people, barely 3 per cent of us in North Carolina

receive \$2,000 a year.

And very little of it was paid by the farmers, because very few of them enjoy a net taxable income of more than \$2,000 a year. The average labor income of farmers in the United States in 1910 was only \$724. If it were two and a half times larger in these days of prosperity, they would still escape federal income taxes; and the country over 399 out of every 400 farmers did escape such taxes in 1917. The balance of 50 million dollars of revenue taxes in North Carolina this year was paid for stamps by our tobacco manufacturers—or mainly so. Less than one dollar in the hundred came from taxes on inherited estates, admissions and dues, public utilities, document stamps, insurance policies, and the like.

Who Pays Least

The simple fact is that the average man here in North Carolina finds it hard to pay any direct war taxes to speak of unless he indulges in luxuries—especially in liquor, tobacco, picture shows, theaters, and other commercial amusements. And such taxes as these he can escape entirely by self-denial. Other indirect taxes he can reduce to a minimum by raising poultry, cultivating war gardens, living on as little as possible, and cutting out servant hire and waste of every sort. He can hardly escape war taxes, to be sure, if he uses the mails and the public utilities, but the war taxes arising from these two sources are barely more than six dollars in the hundred of our federal war tax total.

We have said that the farmer is on the safe side of the dead-line. We say so in particular, because within the last six months we have helped five of our most prosperous farmers fill out their federal income tax sheets. They were all willing and anxious to pay any federal taxes due under the law; but when we figured out the legal exemptions, reductions, exceptions, and allowances, not one of them had a net taxable income of as much as \$2,000.

Not one of them is rich, but every one of them is keenly aware that he has more money now than he has ever had before. And we may say in passing, that all of them invested heavily in war savings stamps in the township drive the other day.

NOT YET BANKRUPT

No, the war has not hurt our pocket books and bank accounts yet, or not enough to speak of. We are still a long way from bankruptcy. We have yet to see any real discomfort and pinching hardship in any household anywhere, due to war conditions.

The American people have around 30 billions on deposit in the state and national banks of the country. This stupendous total is enough to pay our war bill this year with ten billions to spare. It is enough to pay our national debt two and a half times and over.

And our bank deposits are safe. The resources of America are so enormous that the government will never need to do more than to call on us for the loan of these savings. Our bank account savings alone more than equal at the present moment the new liberty bonds the government will float this year. The bank account savings of the people of the United States, in banks of all sorts in 1915, were nearly 8 billion dollars; this year they are around 15 billion dollars.

And they steadily increase in North Carolina in spite of the 116 million dollars we have invested in liberty bonds and war stamps. The increase has been 14 million dollars in four years. And mind you, the people that have bank account savings and own liberty bonds and war stamps are debt-owners, not debt-overs, they are drawing interest, not paying interest. They are not bond-slave, but interest-free; and now there are 55 million such people in these United States.

A Way to Be Bond Free

How can bonded debt mean national slavery in America, if the people themselves own the bonds, as they now have a chance to do in the purchase of bonds and stamps in small denominations?

Liberty bonds are properly named, the talk of traitors to the contrary notwithstanding. They were meant to make the people bond-free, not bond-slaves. They are bond-free if they themselves own these bonds; they are bond-slaves if they allow the rich to own them, while they reserve to themselves the privilege of paying interest on them. The man who pays both interest and taxes nowadays is in a sorry plight. On the other hand, that man is wise who draws federal interest money with one hand while paying war taxes of all sorts, direct and indirect, with the other hand.